



**COUNTY OF LOS ANGELES
DEPARTMENT OF AUDITOR-CONTROLLER**

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March 3, 2009

TO: Supervisor Don Knabe, Chairman
Supervisor Gloria Molina
Supervisor Mark Ridley-Thomas
Supervisor Zev Yaroslavsky
Supervisor Michael D. Antonovich

FROM: Wendy L. Watanabe
Auditor-Controller

SUBJECT: **EL PROYECTO DEL BARRIO, INC. CONTRACT REVIEW – A
COMMUNITY AND SENIOR SERVICES WORKFORCE INVESTMENT
ACT PROGRAM PROVIDER – FISCAL YEAR 2008-09**

We completed a program, fiscal and administrative contract compliance review of El Proyecto del Barrio, Inc. (El Proyecto or Agency), a Community and Senior Services (CSS) Workforce Investment Act (WIA) Program provider.

Background

CSS contracts with El Proyecto, a private non-profit organization to provide and operate the WIA Adult and Dislocated Worker Programs. The Programs assist individuals obtain employment, retain their jobs and increase their earnings. The types of services provided by El Proyecto include occupational skills training, job placement and career planning. El Proyecto is located in the Third District.

El Proyecto is compensated on a cost reimbursement basis and has a contract for \$140,458 for Fiscal Year (FY) 2008-09.

Purpose/Methodology

The purpose of the review was to determine whether El Proyecto complied with its contract terms and appropriately accounted for and spent WIA funds in providing services outlined in their County contract. We also evaluated the adequacy of the Agency's accounting records, internal controls and compliance with federal, State, and

County guidelines. In addition, we interviewed a number of the Agency's staff and clients.

Results of Review

Generally, El Proyecto provided program services to eligible participants and maintained sufficient internal controls over its business operations. However, El Proyecto billed CSS \$18,931 in questioned costs. For example:

- El Proyecto did not maintain adequate documentation, such as invoices and canceled checks, to support \$13,495 in utilities and tuition expenditures billed to CSS on the Agency's close out invoice for FY 2007-08.
- El Proyecto's invoices for July and August 2008 did not reconcile to the Agency's accounting records. The unsupported expenditures totaled \$4,594.

Subsequent to our review, El Proyecto provided additional documentation to support \$7,750 of the \$18,931 in questioned costs.

Details of our review, along with recommendations for corrective action, are attached.

Review of Report

We discussed our report with El Proyecto and CSS on January 20, 2009. In their attached response, El Proyecto disagreed with our recommendation to repay CSS the \$11,181 (\$18,931 - \$7,750) in remaining unsupported expenditures, indicating that they provided adequate documentation to support the expenditures. We notified CSS of the results of our review. CSS indicated they will work with the Agency to resolve the \$11,181 repayment.

We thank El Proyecto for their cooperation and assistance during this review. Please call me if you have any questions, or your staff may contact Don Chadwick at (213) 253-0301.

WLW:MMO:DC:EB

Attachment

c: William T Fujioka, Chief Executive Officer
Cynthia D. Banks, Director, Department of Community and Senior Services
Corinne Sanchez, Esq., President and CEO, El Proyecto del Barrio, Inc.
Kenneth B. Worthen, Chairperson, El Proyecto del Barrio, Inc.
Public Information Office
Audit Committee

**WORKFORCE INVESTMENT ACT PROGRAM
EL PROYECTO DEL BARRIO, INC.
FISCAL YEAR 2008-09**

ELIGIBILITY

Objective

Determine whether El Proyecto del Barrio, Inc. (El Proyecto or Agency) provided services to individuals that meet the eligibility requirements of the Workforce Investment Act (WIA).

Verification

We reviewed the case files for 20 (63%) (10 Adults and 10 Dislocated Workers) of the 32 participants that received services from July through October 2008 for documentation to confirm their eligibility for WIA services.

Results

All 20 participants sampled met the eligibility requirements for the WIA programs.

Recommendation

There are no recommendations for this section.

BILLED SERVICES/CLIENT VERIFICATION

Objective

Determine whether the Agency provided the services in accordance with the County contract and WIA guidelines. In addition, determine whether the participants received the billed services.

Verification

We reviewed the documentation contained in the case files for 20 (63%) participants that received services from July through October 2008. We also interviewed 11 participants.

Results

The 11 participants interviewed stated that the services they received met their expectations. In addition, El Proyecto provided the services in accordance with the County contract and WIA guidelines.

Recommendation

There are no recommendations for this section.

PERFORMANCE OUTCOME REVIEW**Objective**

Determine whether El Proyecto met the planned performance outcomes as outlined in the County contract and accurately reported the performance outcomes to the Workforce Investment Board (WIB). The performance outcomes included measuring the number of participants that enrolled in the program, exited the program, completed training and/or gained employment.

Verification

At the time of our review, the performance outcomes for Fiscal Year (FY) 2008-09 were not available. As such, we compared the Agency's FY 2007-08 actual performance outcomes to the planned performance measures outlined in the County contract and to the program activities reported on the Job Training Automation (JTA) system.

Results

El Proyecto met the FY 2007-08 planned performance outcomes as outlined in the County contract and accurately reported the performance outcomes to the WIB.

Recommendation

There are no recommendations for this section.

CASH/REVENUE**Objective**

Determine whether cash receipts and revenue are properly recorded in the Agency's records and deposited timely in their bank account. In addition, determine whether there are adequate controls over cash, petty cash and other liquid assets.

Verification

We interviewed Agency personnel and reviewed financial records. We also reviewed the Agency's September 2008 bank reconciliation.

Results

Generally, El Proyecto maintained adequate controls to ensure that revenue was properly recorded and deposited in a timely manner.

Recommendation

There are no recommendations for this section.

EXPENDITURES/PROCUREMENT**Objective**

Determine whether program related expenditures are allowable under the County contract, properly documented and accurately billed.

Verification

We interviewed Agency personnel, reviewed financial records and reviewed documentation to support 32 non-payroll expenditure transactions billed by the Agency for July and August 2008, totaling \$7,436.

Results

El Proyecto billed CSS \$5,174 in questioned costs. Specifically:

- El Proyecto's invoices did not reconcile to the Agency's general ledgers. The unsupported expenditures totaled \$4,594. Subsequent to our review, El Proyecto provided additional documentation to support \$4,000 of the \$4,594 in unsupported expenditures.
- El Proyecto did not maintain supporting documentation, such as cancelled checks, to support the amounts allocated for security and facility expenditures totaling \$580. A similar finding was also noted during the prior two years' monitoring reviews.

Recommendations

El Proyecto management:

- 1. Provide adequate documentation to support the expenditures or repay CSS \$1,174 (\$5,174 - \$4,000).**
- 2. Bill CSS based on actual expenditures incurred.**
- 3. Ensure that adequate documentation is maintained to support the program expenditures.**

ADMINISTRATIVE CONTROLS/CONTRACT COMPLIANCE

Objective

Determine whether the Agency maintained sufficient controls over its business operations. In addition, determine whether the Agency is in compliance with other program and administrative requirements.

Verification

We interviewed Agency personnel, reviewed their policies and procedures manuals and conducted an on-site visit.

Results

Generally, El Proyecto maintained sufficient internal controls over its business operations and complied with other program and administrative requirements.

Recommendation

There are no recommendations for section.

FIXED ASSETS AND EQUIPMENT

Determine whether El Proyecto's fixed assets and equipment purchases with WIA funds are used for the WIA programs and are safeguarded.

We did not perform test work in this section as El Proyecto did not use WIA funds to purchase fixed assets or equipment.

PAYROLL AND PERSONNEL

Objective

Determine whether payroll expenditures were appropriately charged to the WIA programs. In addition, determine whether the Agency obtained criminal record clearances, verified employability, and maintained current driver's licenses and proof of automobile insurances for the employees assigned to the WIA programs.

Verification

We traced the payroll expenditures invoiced for three employees totaling \$1,727 for August 2008 to the Agency's payroll records and time reports. We also interviewed one staff and reviewed the personnel files for five employees assigned to the WIA programs.

Results

Generally, El Proyecto appropriately charged the payroll expenditures to the WIA programs. In addition, El Proyecto obtained criminal record clearances, verified employability and maintained current drivers' licenses and proof of automobile insurances for all five employees assigned to the WIA programs.

Recommendation

There are no recommendations for this section.

COST ALLOCATION PLAN**Objective**

Determine whether El Proyecto's Cost Allocation Plan was prepared in compliance with the County contract and the Agency used the Plan to appropriately allocate shared program expenditures.

Verification

We reviewed the Cost Allocation Plan and a sample of expenditures incurred by the Agency in July and August 2008 to ensure that the expenditures were properly allocated to the Agency's programs.

Results

El Proyecto's Cost Allocation Plan did not identify the contractor's direct and indirect costs by category, basis of accounting or the fiscal year as required by Part C, Section 2.4 of the Auditor-Controller Contract Accounting and Administration Handbook. In addition, El Proyecto's Cost Allocation Plan was not signed by management as required.

Further, as previously indicated, El Proyecto did not maintain adequate documentation to support the amounts allocated for security and facility expenditures.

Recommendations

El Proyecto management:

Refer to Recommendation 3.

- 4. Revise the Agency's Cost Allocation Plan to comply with the County contract and other regulatory requirements.**

CLOSE-OUT REVIEW**Objective**

Determine whether the Agency's FY 2007-08 final close-out invoices for the WIA Adult and Dislocated Worker programs reconciled to the Agency's financial accounting records.

Verification

We traced El Proyecto's FY 2007-08 general ledgers to the Agency's final close-out invoices for FY 2007-08. We also reviewed a sample of expenditures incurred in May and June 2008.

Results

El Proyecto billed CSS \$13,757 in unsupported expenditures. Specifically:

- El Proyecto did not maintain adequate documentation, such as invoices and canceled checks, to support \$13,495 in utilities and tuition expenditures. Subsequent to our review, El Proyecto provided additional documentation to support \$3,750 of the \$13,495 in unsupported expenditures.
- El Proyecto's FY 2007-08 accounting records did not reconcile to the Agency's final close-out invoices for FY 2007-08. Unsupported expenditures totaled \$262.

Similar findings were also noted during the prior year's monitoring review.

Recommendations

El Proyecto management:

Refer to Recommendations 2 and 3.

- 5. Provide adequate documentation to support the expenditures or repay CSS \$10,007 (\$13,757 - \$3,750).**

El Proyecto del Barrio

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ESPERANZA

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In Memoriam
William Levin

February 3, 2009

Ms. Yoon Bae, CPA
Principal Accountant-Auditor
Department of Auditor-Controller
Countywide Contract Monitoring Division
350 S. Figueroa Street, 8th Floor
Los Angeles, California 90071

RE: El Proyecto del Barrio, Inc.

Dear Ms. Bae:

We are in receipt of your draft finding letter in regards to our most recent fiscal audit. Below please find our response.

EXPENDITURE/PROCUREMENT

- 1) El Proyecto disagree and will have cancelled check available for review
- 2) El Proyecto will continue to ensure that billing will be done on actual expenditures incurred.
- 3) El Proyecto will ensure to maintain support for all program expenditures.

COST ALLOCATION PLAN

- 4) El Proyecto will implement your recommendation and a revised cost allocation will be ready for review at your next audit.

CLOSE-OUT REVIEW

- 5) *At the time of the audit certain items were not provided to the auditors. However at the time of your last visit copies of cancelled checks were given for your review or additional copies can be given on your next audit.*

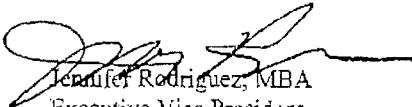
Below is a summary of those items.

A) ITA/Tuition	\$ 6,254.00
B) Utilities/Dislocated	\$ 989.24
C) Telephone	\$ 729.00
D) Office supplies	\$ 59.74
E) Conference Training	\$ 115.63
F) Telephone/Adult	\$ 522.00
G) Utilities/Adult	\$ 522.00
H) Office Supplies	\$ 86.44

\$ 10,007.00

If you have any questions, please contact me at (818) 610-1621.

Sincerely,


Jennifer Rodriguez, MBA
Executive Vice President